

Message Text

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SUBJECT: UNCTAD TDB - MONEY AND FINANCE

REF: GENEVA 1850

1. SUMMARY: GROUP B SPOKESMAN (BLANC) IN CONTACT SUB-GROUP 2 DEFTLY RESPONDED SECTION FOUR, CHAPTER IX MONEY AND FINANCE AND TRANSFER OF RESOURCES OF MANILA DECLARATION. STATEMENT REFLECTED FULLY US POSITIONS AND ARGUMENTS. GROUP D STATEMENT AS EXPECTED EXCEPT GROUP D EXPRESSED WILLINGNESS PARTICIPATE IN INTERNATIONAL CONFERENCE CALLED BY A DEBTOR COUNTRY, SUPPORT WE BELIEVE TO MARCH 1975 SUGGESTION OF AD HOC GROUP OF EXPERTS REPORT ON DEBT PROBLEMS. UNCTAD SECRETARIAT ADVISED US PRIVATELY GROUP D CONCERNED WHAT THEIR PARTICIPATION MIGHT MEAN SHOULD EGYPT CALL CONFERENCE. END SUMMARY

2. GROUP B STATEMENT. BRIEFLY GROUP B STATEMENT MADE FOLLOWING POINTS: (1) LDC BALANCE OF PAYMENT PROBLEMS MANIFESTATION F WHILE ECONOMIC SITUATION NOT JUST DEBT
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PROBLEM; (2) DEBT SOLUTIONS SUGGESTED BY

G-77 NOT ONLY REMEDY; (3) DIFFERENT SOLUTIONS REQUIRED FOR DIFFERENT COUNTRIES; (4) RESOURCES INADEQUATE TO ADDRESS ALL PROBLEMS AND SOLUTIONS FOUND SHOULD NOT COMPROMISE THE IMPORTANT AND DELICATE RELATIONSHIP BETWEEN DEBTORS-CREDITORS; (5) RECOMMENDATIONS GROUP OF EXPERTS REPORT ADOPTED BY CONSENSUS PROVIDE COMMON PRINCIPLE FOR DEBT RESCHEDULING WHICH IN FACT NOW BEING ADHERED TO IN INDIVIDUAL CASES WITHOUT DISTURBANCES TO FINANCIAL MARKET; (6) EMPHASIZED PROGRESS AT JAMAICA AND FAVORABLE IMPACT ON COUNTRIES WITH BALANCE OF PAYMENTS PROBLEMS; (7) PROCEDURE SUGGESTED BY G-77 MANILA DECLARATION ON OFFICIAL DEBT HAVE EITHER MORE DRAWBACKS THAN BENEFITS (PARA 13), ARE NOT PRIMARY CONCERN FOR GROUP B (PARA 14), TOO GENERAL TO DISCUSS IN DEPTH (PARA 15), OR CAN'T DECIDE WHETHER NECESSARY OR DESIRABLE AT THIS TIME (PARA 16). G-77 WILL RESPOND TO GROUP B STATEMENT AT LATER DATE.

3. GROUP D STATEMENT UNINSPIRING EXCEPT FOR REFERENCE TO PARTICIPATE IN INTERNATIONAL CONFERENCE CALLED BY DEBTOR COUNTRY TO DISCUSS ITS DEBT PROBLEM. PRIVATELY UNCTAD SECRETARIAT ADVISED US GROUP D WOULD PUT "ESCAPE CLAUSE" IN CONDITIONS FOR PARTICIPATION IN SUCH CONFERENCE CALLED BY EGYPT AND GROUP D NOT KEEN ON RESCHEDULING OF CANCELLATION OF EXPORT OR SUPPLIERS' CREDIT PROVIDED BY THEM. HOW TENACIOUS THE COMMON BONDS OF CAPITALISM. WE HAVE MADE THE POINT IN PRIVATE THAT DEBT SERVICE PAYMENTS TO SOCIALIST COUNTRIES FROM SOME MSA COUNTRIES IS SIGNIFICANT.

4. IN DISCUSSING SECTION 4 MANILA DOCUMENT IN GROUP B CONTACT AND PRIVATELY IT APPEARS SOME COUNTRIES (BRITAIN, GERMANY, CANADA) AGREE WITH US THAT DISCUSSION OF SDR LINK IS PREMATURE SINCE ADDITIONAL LIQUIDITY NOT REQUIRED. THE NETHERLANDS STANDS ALONE ON DEBT MORATORIUM WITH THE SWEDES MORE CAUTIOUS IF SUCH ACTION WOULD JEOPARDIZE AVAILABILITY LONG-TERM CONCESSIONARY ASSISTANCE (US ARGUMENT), FRENCH ARE WONDERING WHETHER CONDITIONALITY IMPOSED BY IMF ON HIGHER CREDIT TRANCHE BORROWINGS BY POORER LDGS WITH BALANCE OF PAYMENTS PROBLEMS IS ALL THAT LIMITED OFFICIAL USE

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NECESSARY AND CORRECT AND JAPANESE AND SOME OTHERS WOULD NOT OPPOSE DEBT CONFERENCE CALLED BY UNCTAD IF PRESSED. WE HAVE MADE OUR POSITION ON CONFERENCE CLEAR TO THEM. BE THAT AS IT MAY, GROUP B PUBLICLY IS SPEAKING GENERALLY WITH ONE VOICE AT TDB ON FINANCE AND TRANSFER OF RESOURCES AND WE EXPECT NO SEPARATE EEC OR COUNTRY POSITION PAPER TO EMERGE ON THESE ISSUES HERE, AS MIGHT HAPPEN IN CASE OF COMMODITIES. (SEPTTEL)

5. HOWEVER, THE G-77 AND THE UNCTAD SECRETARIAT PUT HIGH PRIORITY ON DEBT ISSUES. THEY ARGUE THAT THE DEBT PROBLEM IS COMMON AND NOT LIMITED TO A FEW COUNTRIES AND DEBT SERVICING BURDENS ALL BUT NULLIFY TRANSFER OF OTHER FINANCIAL RESOURCES TO THEM. THERE IS SOME SYMPATHY FOR THIS VIEW AMONG GROUP B. THE SUPPORTING DOCUMENTATION (TD/188/SUPP.1) FRANKLY IS INADEQUATE FOR US TO IDENTIFY WHICH COUNTRIES DO IN FACT HAVE A SERIOUS PROBLEM OF DEBT ACCUMULATION AND DEBT SERVICING 1975 AND BEYOND. ONLY A DISAGGREGATED STUDY, COUNTRY BY COUNTRY, USING CURRENT DATA, PRIVATE AND PUBLIC, WILL PROVIDE THE FACTS WE ALL NEED TO MAKE REASONED JUDGMENTS ON THIS ISSUE AND DEVELOP A STRATEGY THAT WILL CONVINCE SUPPORTERS AND SATISFY NON-SUPPORTERS OF OUR POSITION. THE DEPARTMENT MIGHT CONSIDER US, OECD OR EVEN GROUP B CALLING UPON IBRD/IMF/OECD JOINTLY TO UNDERTAKE SUCH AN IN-DEPTH ANALYSIS IN PREPARATION FOR NORTH-SOUTH DISCUSSIONS ON THE DEBT ISSUE FOLLOWING UNCTAD IV. DALE

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